

## Message Text

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42/61

ACTION AF-06

INFO OCT-01 EUR-12 IO-10 ISO-00 NEA-09 ERDA-07 AID-05

CEA-01 CIAE-00 CIEP-02 COME-00 DODE-00 EB-07 FPC-01

H-02 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03

SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 FRB-01 FEA-01

AGR-10 DOTE-00 PA-02 USIA-15 PRS-01 SIL-01 LAB-04

/148 W

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R 051450Z MAR 75

FM AMEMBASSY GABORONE

TO SECSTATE WASHDC 6361

INFO AMEMBASSY DAR ES SALAAM

AMEMBASSY LONDON

AMEMBASSY LUSAKA

AMEMBASSY MASERU

AMEMBASSY MBABANE

AMEMBASSY PRETORIA

USDEL MTN GENEVA

UNCLAS GABORONE 0307

C O R R E C T E D C O P Y (PARAS 8 AND 9)

E.O. 11652: N/A

TAGS: EFIN, BC

SUBJECT: BOTSWANA: VICE PRESIDENT'S 1975/76 BUDGET SPEECH

1. SUMMARY: VICE PRESIDENT AND MINISTER OF FINANCE  
MASIRE IN MARCH 3 BUDGET SPEECH OUTLINED TIGHT ECONOMIC  
SITUATION FACING BOTSWANA DUE TO WORLD INFLATION AND  
DROP IN MINERAL REVENUES. WHILE PRIOR YEARS SHOWED GOOD  
INCREASE IN REVENUES, 1976/77 REVENUES MIGHT DECLINE AND  
WOULD GROW ONLY SLOWLY THEREAFTER. 1975/76 BUDGET TO BE  
APPROXIMATELY RAND 90 MILLION. ROAD BUILDING AND RURAL  
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DEVELOPMENT TO BE EMPHASIZED.

2. VICE-PRESIDENT MASIRE OPENED 1975 BUDGET SPEECH WITH EXPLANATION OF HAVOC PLAYED WITH BOTSWANA ECONOMY BY FOUR-FOLD INCREASE IN OIL PRICES. HE TERMED OIL-FACILITY IN IMF A QUOTE PALLIATIVE RATHER THAN A CURE UNQUOTE AND THE ARAB FUND FOR ASSISTING OAU MEMBERS QUOTE TOO SMALL UNQUOTE. THE VP FURTHER WARNED THAT 1975 WILL NOT LIKELY BE BETTER THAN 1974.

3. TOTAL 1975/76 BUDGET EXPENDITURES PROJECTED BY MASIRE AT JUST OVER R90 MILLION. HIS RECOMMENDED RECURRENT EXPENDITURE OF R51.2 MILLION IS 48 PERCENT ABOVE CURRENT YEAR INITIAL ESTIMATES AND REFLECTS VERY HIGH WAGE AND SALARY INCREASES MID-1974; MASIRE STRESSED THIS QUOTE RATE OF INCREASE CANNOT BE SUSTAINED UNQUOTE. ESTIMATED REVENUE FOR 1975/76 IS R73.3 MILLION, 26 PERCENT INCREASE. THIS RATE OF INCREASE IS DOWN FROM 56 PERCENT IN THE PREVIOUS YEAR. HE WARNED THAT REVENUES MAY ACTUALLY DECLINE IN 1976/77 AND WOULD INCREASE BY ONLY A MODEST 11 PERCENT IN REAL TERMS PER ANNUM THEREAFTER. THIS WILL NECESSITATE PARING RECURRENT BUDGET ANNUAL GROWTH RATE FROM PROPOSED 14 PERCENT TO 10 PERCENT. ONE BENEFIT OF THIS REDUCTION WOULD BE FREEING OF AN EXTRA R22 MILLION OVER NEXT FIVE YEARS FOR DEVELOPMENT PROGRAM.

4. MASIRE PROJECTED DEVELOPMENT EXPENDITURES FOR 1975/76 AT ABOUT R40 MILLION, INCLUDING MAJOR ROAD BUILDING PROGRAM AS PART OF COMPREHENSIVE NATIONAL TRANSPORT PLAN. OVER R10 MILLION WILL BE SPENT ON ACCELERATED RURAL DEVELOPMENT PROGRAM WHICH HAS GIVEN QUOTE UNPRECEDENTED IMPETUS TO RURAL DEVELOPMENT UNQUOTE. THE VP URGED THAT BOTSWANA RESIST TEMPTATION TO USE MINING REVENUES FOR RECURRENT, NON-DEVELOPMENT COMMITMENTS.

5. TOTAL VALUE OF DEVELOPMENT PROJECTS IN CURRENT FIVE-YEAR PLAN (ENDING 1978/79) IS R273 MILLION IN TODAY'S PRICES. HOWEVER, MASIRE ESTIMATES THAT, BECAUSE OF TRAINED MANPOWER SHORTAGES, GOB AND ECONOMY HAVE CAPACITY TO IMPLEMENT ONLY R200 MILLION OF THIS BY END OF PLAN PERIOD. OF THIS AMOUNT, IT IS ANTICIPATED THAT R117 MILLION WILL

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BE FROM EXTERNAL SOURCES LEAVING R83 MILLION TO BE FOUND DOMESTICALLY. UNFORTUNATELY, GOVERNMENT PROJECTIONS SHOW THAT ONLY R47 MILLION OF THE R83 MILLION WILL BE AVAILABLE FROM DOMESTIC SOURCES. THIS LEAVES GOB APPARENTLY UNABLE TO FINANCE R36 MILLION WORTH OF DEVELOPMENT PROJECTS WHICH IT OTHERWISE HAS CAPACITY TO IMPLEMENT.

6. THIS MIXED PICTURE IN BOTSWANA BUDGET AND ECONOMY

A RESULT OF MANY FACTORS. BECAUSE ECONOMY DEPENDS GRATLY ON INTERNATIONAL TRADE, WORLD INFLATION IS BEING IMPORTED INTO BOTSWANA; THIS NECESSITATED A SUBSTANTIAL MID-1974 INCREASE IN WAGES AND SALARIES. MASIRE WARNED THAT AID MAY BE CURTAILED BECAUSE DONOR COUNTRIES ARE IN FINANCIAL BINDS. HE ALSO STATED THAT RAPID PER CAPITA GDP GROWTH RESULTED IN DONORS DISQUALIFYING BOTSWANA FROM LIST OF MSA COUNTRIES ENTITLED TO CONCESSIONAL AID. THIS VIEW IS MISTAKEN, ACCORDING TO MASIRE. RISING INTEREST RATES ARE MAKING BORROWING IN PLACE OF AID EXPENSIVE.

7. THE OUTLOOK FOR BEEF, BOTSWANA'S MAJOR EXPORT, IS UNCERTAIN. ALTHOUGH 1974 WAS GOOD YEAR FOR LIVESTOCK PRODUCTION, EC REQUIREMENT TO TWIN BEEF IMPORTS WITH BEEF FROM INTERVENTION STOCKPILE AND LATER TOTAL BAN ON BEEF IMPORTS INTO EC COUNTRIES WORKED HARDSHIP ON BOTSWANA. MASIRE NOTED WITH PLEASURE LIFTING OF EC BEEF BAN AND ONGOING OBEEF MARKETING NEGOTIATIONS WITH SOUTHERN AFRICA.

8. HALVING OF COPPER PRICES, SEVERE TECHNICAL PROBLEMS AT SELEBI-PIKWE COPPER/NICKEL COMPLEX, AND LOWER THAN EXPECTED VOLUME OF DIAMOND SALES RESULTED IN LOWERED MINERAL REVENUE. WITH EXCEPTION OF DIAMONDS, MINERAL PRODUCTION FAR BELOW EXPECTED LEVELS. VP NOTED THAT GROWTH IN INTERNATIONAL ENERGY DEMAND MIGHT SOON JUSTIFY EXPLOITATION OF BOTSWANA'S HUGE COAL RESERVES.

9. MASIRE CONCLUDED BY OUTLINING GOB'S FINANCIAL LEGISLATIVE PROGRAM. THIS INCLUDES A FINANCIAL INSTITUTIONS BILL TO REGULATE FUNCTIONING OF FINANCIAL INSTITUTIONS IN BOTSWANA, UPDATING NATIONAL DEVELOPMENT BANK

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BILL AND PRESENTING DETAILS OF CENTRAL BANK BILL. WITH REGARD TO THE CENTRAL BANK, MASIRE REAFFIRMED THAT QUOTE THERE IS NO REASON TO BELIEVE THE ESTABLISHMENT OF THE BANK OF BOTSWANA WILL AFFECT THE 1969 SOUTHERN AFRICAN CUSTOMS AGREEMENT AND OUR MEMBERSHIP OF THE CUSTOMS UNION UNQUOTE. OTHER STUDIES AND PROPOSALS TO FACILITATE MOBILIZATION OF CAPITAL INCLUDE:

A) ARRANGEMENTS WHEREBY A PORTION OF POST OFFICE SAVINGS BANK STATIC BALANCES WILL BE MADE AVAILABLE TO NATIONAL DEVELOPMENT BANK FOR DEVELOPMENT LOANS; (B) HOW BEST TO CONTROL INSURANCE COMPANIES AND THROUGH THEM ENCOURAGE LOCAL CAPITAL FORMATION; AND C) FEASIBILITY OF ESTABLISHING NATIONAL PROVIDENT FUND.

10. COMMENT: FORTHRIGHT REPORT ON MIXED ECONOMIC  
OUTLOOK FOR BOTSWANA EMPHASIZED THAT HARD CHOICES  
WILL BE FACED BY GOB AND THAT BOTSWANA MUST RELY TO AN  
INCREASED EXTENT ON EXTERNAL SOURCES TO MEET ITS  
DEVELOPMENT NEEDS. WHILE EXPRESSING HIS QUOTE APPRECI-  
TION FOR THE CAPITAL AND TECHNICAL ASSISTANCE OUR  
FRIENDS ARE GIVING US UNQUOTE, MASIRE STRESSED THAT  
MANY DEVELOPMENT PROJECTS WILL REMAIN IN ABEYANCE WITHOUT  
OUTSIDE FUNDS. ADDITIONALLY, MAJOR ROAD BUILDING PROGRAM  
TO BE IMPLEMENTED AS PART OF NATIONAL TRANSPORT PLAN WOULD  
SEEM TO PRESENT EXCELLENT OPPORTUNITY FOR INCREASED EXPORT  
OF U.S. EQUIPMENT AND TECHNOLOGY.  
BOLEN

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## Message Attributes

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